

## **FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

# ASIAN AMERICANS ADVANCING JUSTICE - AAJC

## CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statements of Financial Position, as of December 31, 2016 and 2015	4
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2016 and 2015	5 - 6
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2016	7 - 8
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2015	9 - 10
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2016 and 2015	11
NOTES TO FINANCIAL STATEMENTS	12 - 21

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Asian Americans Advancing Justice - AAJC  
Washington, D.C.

We have audited the accompanying financial statements of Asian Americans Advancing Justice - AAJC (AAJC), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAJC as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814**  
**(301) 951-9090 • FAX (301) 951-3570 • WWW.GRCPA.COM**

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAJC as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Friedman*

April 17, 2017

## ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2016 AND 2015

## ASSETS

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,950,844	\$ 2,701,724
Investments	327,599	539,993
Grants receivable	1,411,661	808,504
Pledges receivable	77,215	252,712
Prepaid expenses	<u>56,560</u>	<u>146,880</u>
Total current assets	<u>3,823,879</u>	<u>4,449,813</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	75,759	82,272
Less: Accumulated depreciation	<u>(50,015)</u>	<u>(51,646)</u>
Net fixed assets	<u>25,744</u>	<u>30,626</u>
<b>OTHER ASSETS</b>		
Investments - restricted	500,000	500,000
Grants receivable, net of current portion	1,623,852	1,154,813
Security deposit	<u>-</u>	<u>24,700</u>
Total other assets	<u>2,123,852</u>	<u>1,679,513</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,973,475</u></b>	<b><u>\$ 6,159,952</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 401,449	\$ 207,333
Deferred rent	<u>-</u>	<u>5,244</u>
Total current liabilities	<u>401,449</u>	<u>212,577</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred rent, net of current portion	<u>314,367</u>	<u>85,653</u>
Total liabilities	<u>715,816</u>	<u>298,230</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	295,985	469,792
Board designated	<u>575,000</u>	<u>550,000</u>
Total unrestricted net assets	870,985	1,019,792
Temporarily restricted	3,854,359	4,309,615
Permanently restricted	<u>532,315</u>	<u>532,315</u>
Total net assets	<u>5,257,659</u>	<u>5,861,722</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,973,475</u></b>	<b><u>\$ 6,159,952</u></b>

See accompanying notes to financial statements.

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUE</b>				
Grants and contributions	\$ 94,901	\$ 2,651,329	\$ -	\$ 2,746,230
In-kind gifts	40,000	-	-	40,000
Investment income (loss)	15,655	40,412	-	56,067
Special event	515,126	-	-	515,126
Rental income	-	-	-	-
Other income	7,829	-	-	7,829
Net assets released from donor restrictions	<u>3,146,997</u>	<u>(3,146,997)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,820,508</u>	<u>(455,256)</u>	<u>-</u>	<u>3,365,252</u>
<b>EXPENSES</b>				
Program Services:				
Broadband	-	-	-	-
Census	144,359	-	-	144,359
Community Partners	2,003,084	-	-	2,003,084
Immigration and Immigrant Rights	276,621	-	-	276,621
Litigation	567,300	-	-	567,300
Lobbying	4,756	-	-	4,756
Strategic Planning	5,045	-	-	5,045
Voting Rights	<u>299,060</u>	<u>-</u>	<u>-</u>	<u>299,060</u>
Total program services	<u>3,300,225</u>	<u>-</u>	<u>-</u>	<u>3,300,225</u>
Supporting Services:				
Management and General	216,229	-	-	216,229
Fundraising	<u>452,861</u>	<u>-</u>	<u>-</u>	<u>452,861</u>
Total supporting services	<u>669,090</u>	<u>-</u>	<u>-</u>	<u>669,090</u>
Total expenses	<u>3,969,315</u>	<u>-</u>	<u>-</u>	<u>3,969,315</u>
Changes in net assets before other items	(148,807)	(455,256)	-	(604,063)
<b>OTHER ITEMS</b>				
De-obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets after other items	(148,807)	(455,256)	-	(604,063)
Net assets at beginning of year	<u>1,019,792</u>	<u>4,309,615</u>	<u>532,315</u>	<u>5,861,722</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 870,985</u></b>	<b><u>\$ 3,854,359</u></b>	<b><u>\$ 532,315</u></b>	<b><u>\$ 5,257,659</u></b>

2015			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 174,530	\$ 1,833,938	\$ -	\$ 2,008,468
-	-	-	-
(8,920)	-	-	(8,920)
393,522	-	-	393,522
27,027	-	-	27,027
17,836	-	-	17,836
<u>2,799,055</u>	<u>(2,799,055)</u>	<u>-</u>	<u>-</u>
<u>3,403,050</u>	<u>(965,117)</u>	<u>-</u>	<u>2,437,933</u>
842	-	-	842
179,037	-	-	179,037
1,181,983	-	-	1,181,983
529,449	-	-	529,449
458,522	-	-	458,522
3,574	-	-	3,574
22,609	-	-	22,609
<u>296,886</u>	<u>-</u>	<u>-</u>	<u>296,886</u>
<u>2,672,902</u>	<u>-</u>	<u>-</u>	<u>2,672,902</u>
247,091	-	-	247,091
<u>410,399</u>	<u>-</u>	<u>-</u>	<u>410,399</u>
<u>657,490</u>	<u>-</u>	<u>-</u>	<u>657,490</u>
<u>3,330,392</u>	<u>-</u>	<u>-</u>	<u>3,330,392</u>
72,658	(965,117)	-	(892,459)
-	(68,500)	-	(68,500)
72,658	(1,033,617)	-	(960,959)
<u>947,134</u>	<u>5,343,232</u>	<u>532,315</u>	<u>6,822,681</u>
<u>\$ 1,019,792</u>	<u>\$ 4,309,615</u>	<u>\$ 532,315</u>	<u>\$ 5,861,722</u>

See accompanying notes to financial statements.

## ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services					
	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Lobbying	Strategic Planning
Base office and administrative operations	\$ 22,111	\$ 143,945	\$ 29,784	\$ 75,612	\$ 705	\$ 153
Conferences, meetings and travel	1,159	226,656	17,624	16,007	52	3
Copying and printing	689	4,645	888	2,447	24	7
Grants	-	548,354	18,000	-	-	-
Other office and administrative expenses	2,791	29,963	4,358	11,485	144	10
Professional fees	11,789	340,626	70,548	153,056	517	4,130
Salaries and related expenses	105,820	708,895	135,419	308,693	3,314	742
<b>TOTAL</b>	<b>\$ 144,359</b>	<b>\$ 2,003,084</b>	<b>\$ 276,621</b>	<b>\$ 567,300</b>	<b>\$ 4,756</b>	<b>\$ 5,045</b>

See accompanying notes to financial statements.



ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services (Continued)		Supporting Services			
	Voting Rights	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Base office and administrative operations	\$ 31,521	\$ 303,831	\$ 32,879	\$ 49,108	\$ 81,987	\$ 385,818
Conferences, meetings and travel	14,164	275,665	4,244	109,221	113,465	389,130
Copying and printing	983	9,683	1,028	1,541	2,569	12,252
Grants	15,000	581,354	-	-	-	581,354
Other office and administrative expenses	4,410	53,161	6,095	19,708	25,803	78,964
Professional fees	82,260	662,926	14,298	38,595	52,893	715,819
Salaries and related expenses	150,722	1,413,605	157,685	234,688	392,373	1,805,978
<b>TOTAL</b>	<b>\$ 299,060</b>	<b>\$ 3,300,225</b>	<b>\$ 216,229</b>	<b>\$ 452,861</b>	<b>\$ 669,090</b>	<b>\$ 3,969,315</b>

See accompanying notes to financial statements.

## ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services					
	Broadband	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Lobbying
Base office and administrative operations	\$ 78	\$ 27,965	\$ 124,818	\$ 46,219	\$ 72,174	\$ 559
Conferences, meetings and travel	169	2,499	162,622	37,296	19,316	73
Copying and printing	2	971	4,197	1,582	2,073	16
Grants	-	-	110,977	183,847	-	-
Other office and administrative expenses	1	3,218	22,378	4,819	8,954	74
Professional fees	257	12,013	177,006	37,784	65,461	221
Salaries and related expenses	335	132,371	579,985	217,902	290,544	2,631
<b>TOTAL</b>	<b>\$ 842</b>	<b>\$ 179,037</b>	<b>\$ 1,181,983</b>	<b>\$ 529,449</b>	<b>\$ 458,522</b>	<b>\$ 3,574</b>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services (Continued)			Supporting Services			
	Strategic Planning	Voting Rights	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Base office and administrative operations	\$ 353	\$ 46,588	\$ 318,754	\$ 37,361	\$ 46,420	\$ 83,781	\$ 402,535
Conferences, meetings and travel	235	5,600	227,810	4,106	80,240	84,346	312,156
Copying and printing	9	1,570	10,420	1,278	3,222	4,500	14,920
Grants	-	-	294,824	-	-	-	294,824
Other office and administrative expenses	27	4,787	44,258	5,345	23,743	29,088	73,346
Professional fees	20,338	19,012	332,092	29,359	46,738	76,097	408,189
Salaries and related expenses	1,647	219,329	1,444,744	169,642	210,036	379,678	1,824,422
<b>TOTAL</b>	<b>\$ 22,609</b>	<b>\$ 296,886</b>	<b>\$2,672,902</b>	<b>\$ 247,091</b>	<b>\$ 410,399</b>	<b>\$ 657,490</b>	<b>\$3,330,392</b>

See accompanying notes to financial statements.

## ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (604,063)	\$ (960,959)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	4,882	4,001
Unrealized (gain) loss	(34,696)	16,402
Discount on long-term grants receivable	(69,850)	(61,623)
(Increase) decrease in:		
Grants receivable	(1,002,346)	405,818
Pledges receivable	175,497	(128,255)
Prepaid expenses	90,320	(86,169)
Security deposit	24,700	(4,144)
Increase (decrease) in:		
Accounts payable and accrued liabilities	194,116	56,769
Deferred rent	<u>223,470</u>	<u>62,026</u>
Net cash used by operating activities	<u>(997,970)</u>	<u>(696,134)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(283,908)	(454,310)
Redemptions of certifications of deposit	<u>530,998</u>	<u>246,016</u>
Net cash provided (used) by investing activities	<u>247,090</u>	<u>(208,294)</u>
Net decrease in cash and cash equivalents	(750,880)	(904,428)
Cash and cash equivalents at beginning of year	<u>2,701,724</u>	<u>3,606,152</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,950,844</u></b>	<b><u>\$ 2,701,724</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Fixed Assets Funded by Landlord	<u>\$ -</u>	<u>\$ 28,871</u>

## ASIAN AMERICANS ADVANCING JUSTICE - AAJC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Asian Americans Advancing Justice - AAJC (AAJC) is a 501(c)(3) non-profit organization, incorporated in Washington, D.C. AAJC works to advance civil and human rights for Asian Americans, and to build and promote a fair and equitable society for all. In accomplishing its mission, AAJC focuses its work to promote civic engagement, to forge strong and safe communities, and to create an inclusive society in communities on a local, regional, and national level. A nationally recognized voice on behalf of Asian Americans, AAJC focuses its expertise on anti-Asian violence prevention/race relations, broadband, census, health, immigrant rights, language access, and voting rights.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

##### Cash and cash equivalents -

AAJC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents are restricted for use as an Operating Reserve Fund.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, AAJC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

##### Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, and realized and unrealized gains and losses are included in investment income (loss) in the Statements of Activities and Changes in Net Assets.

##### Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions, if any, and satisfaction of time restrictions.

Such grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

##### Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Fixed assets funded by the landlord are amortized over the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

##### Income taxes -

AAJC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. AAJC is not a private foundation.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Uncertain tax positions -

For the years ended December 31, 2016 and 2015, AAJC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Grants and pledges receivable -

Grants receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Pledges receivable expected to be collected in the current year are recorded at their net realizable value, which approximates fair value. All grants and pledges receivable are considered by management to be fully collectible.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of AAJC and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of AAJC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by AAJC. Permanently restricted net assets consist of the Joyce Chiang Memorial Scholarship Fund and an operating fund reserve.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

In-kind gifts -

AAJC recognizes In-kind gifts if the contributions enhance or create non-financial assets or requires specialized skills that the organization would otherwise pay for.

# ASIAN AMERICANS ADVANCING JUSTICE - AAJC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment risks and uncertainties -

AAJC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

AAJC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. AAJC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

### 2. INVESTMENTS

Investments consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Certificates of deposit	\$ 245,370	\$ 530,998
Mutual funds	84,195	84,001
Common stocks	484,463	413,755
Limited partnerships	<u>13,571</u>	<u>11,239</u>
<b>TOTAL INVESTMENTS</b>	<b>\$ <u>827,599</u></b>	<b>\$ <u>1,039,993</u></b>

Included in investment income (loss) are the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 21,371	\$ 7,482
Unrealized gain (loss)	<u>34,696</u>	<u>(16,402)</u>
<b>TOTAL INVESTMENT INCOME (LOSS)</b>	<b>\$ <u>56,067</u></b>	<b>\$ <u>(8,920)</u></b>

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. GRANTS RECEIVABLE**

As of December 31, 2016 and 2015, contributors to AAJC have made written promises to give totaling \$3,177,799 and \$2,035,753, respectively. Grants and contributions due in more than one year have been discounted using a rate of 3.75% and 3.50%, for the years ended December 31, 2016 and 2015, respectively.

Grants are due as follows at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 1,411,661	\$ 808,504
One-to-five years	<u>1,766,138</u>	<u>1,227,249</u>
Subtotal	3,177,799	2,035,753
Less: Allowance to discount balance to present value	<u>(142,286)</u>	<u>(72,436)</u>
<b>GRANTS RECEIVABLE, NET</b>	<b><u>\$ 3,035,513</u></b>	<b><u>\$ 1,963,317</u></b>

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Civil Rights	\$ 3,848,649	\$ 4,295,512
Immigration Rights	<u>5,710</u>	<u>14,103</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 3,854,359</u></b>	<b><u>\$ 4,309,615</u></b>

**5. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

	<u>2016</u>	<u>2015</u>
Civil Rights	\$ 3,138,604	\$ 2,767,724
Immigration and Immigrant Rights	<u>8,393</u>	<u>31,331</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 3,146,997</u></b>	<b><u>\$ 2,799,055</u></b>

**6. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity and the income is expendable to support certain programs. Permanently restricted net assets consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Ford Foundation Operating Reserves	\$ 500,000	\$ 500,000
Joyce Chiang Memorial Scholarship Fund	<u>32,315</u>	<u>32,315</u>
<b>TOTAL PERMANENTLY RESTRICTED NET ASSETS</b>	<b><u>\$ 532,315</u></b>	<b><u>\$ 532,315</u></b>



**ASIAN AMERICANS ADVANCING JUSTICE - AAJC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**7. BOARD DESIGNATED NET ASSETS**

AAJC's Board of Directors created an Operating Reserve Fund to ensure stability of the mission, programs, employment and ongoing operations of the organization. The minimum amount to be designated as operating reserves will be established in an amount sufficient to maintain on-going operations and programs measured for a set period of time, measured in months. The target minimum Operating Reserve Fund is equal to six months of average operating costs, to be calculated each year after approval of the annual budget.

**8. LEASE COMMITMENT**

During November 2015, AAJC entered into a ten-year lease for office space at 1620 L Street, N.W., Washington, D.C. Base rent of \$24,700 commences on the first day of the eleventh calendar month, with annual rent increases by 2.25%. The lease agreement includes provisions whereas the base rent is abated during the initial ten calendar months.

Rent expense for 2016 and 2015 was \$313,795 and \$322,956, respectively, and is included in Base office and administrative operations in the accompanying statements of functional expenses.

During 2015, AAJC subleased portions of its office space on a month-to-month basis. Total rental income received during the year ended December 31, 2015 was \$27,027. There were no subleases active during 2016.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent on the Statements of Financial Position.

Approximate minimum lease payments required under the aforementioned lease are as follows:

<u><b>Year Ending December 31,</b></u>	
2017	\$ 303,635
2018	310,443
2019	317,431
2020	324,970
2021	336,923
Thereafter	<u>1,707,167</u>
	<b><u>\$ 3,300,569</u></b>

**9. PENSION PLAN**

AAJC maintains an IRC Section 403(b) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. After one year of employment, AAJC contributes 3% of an employee's annual salary into its designated 403(b) plan.

For the years ended December 31, 2016 and 2015, contributions totaled \$33,720 and \$38,991, respectively.

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**10. IN-KIND GIFTS**

During the years ended December 31, 2016 and 2015, AAJC was the beneficiary of donated goods and services, which allowed AAJC to provide greater resources toward various programs.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<b>Donated Video Production</b>	<b>\$ <u>40,000</u></b>	<b>\$ <u>-</u></b>

**11. ENDOWMENT**

AAJC's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, AAJC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Donor-Restricted Endowment Funds</b>	<b>\$ <u>-</u></b>	<b>\$ <u>36,567</u></b>	<b>\$ <u>532,315</u></b>	<b>\$ <u>568,882</u></b>

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**11. ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>(11,911)</u>	\$ <u>-</u>	\$ <u>532,315</u>	\$ <u>520,404</u>
Investment return:				
Investment income	11,911	5,716	-	17,627
Net appreciation (realized and unrealized)	-	34,696	-	34,696
Investment fees	<u>-</u>	<u>(3,845)</u>	<u>-</u>	<u>(3,845)</u>
Total investment return	<u>11,911</u>	<u>36,567</u>	<u>-</u>	<u>48,478</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ <u>-</u></b>	<b>\$ <u>36,567</u></b>	<b>\$ <u>532,315</u></b>	<b>\$ <u>568,882</u></b>

Endowment net asset composition by type of fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Donor-Restricted Endowment Funds</b>	<b>\$ <u>(11,911)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>532,315</u></b>	<b>\$ <u>520,404</u></b>

Changes in endowment net assets for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>532,315</u>	\$ <u>532,315</u>
Investment return:				
Net depreciation (realized and unrealized)	<u>(11,911)</u>	<u>-</u>	<u>-</u>	<u>(11,911)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ <u>(11,911)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>532,315</u></b>	<b>\$ <u>520,404</u></b>

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**11. ENDOWMENT (Continued)**

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (Endowment only):

	<u>2016</u>	<u>2015</u>
<b>Permanently Restricted Net Assets:</b>		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>532,315</u>	\$ <u>532,315</u>
<b>Total Endowment Funds Classified as Permanently Restricted Net Assets</b>	<b>\$ <u>532,315</u></b>	<b>\$ <u>532,315</u></b>

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (Endowment only) (continued):

	<u>2016</u>	<u>2015</u>
<b>Temporarily Restricted Net Assets:</b>		
Cumulative unspent earnings on permanently restricted endowment funds	\$ <u>36,567</u>	<u>-</u>
<b>Total Endowment Funds Classified as Temporarily Restricted Net Assets</b>	<b>\$ <u>36,567</u></b>	<b>\$ <u>-</u></b>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$11,911 as of December 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

**12. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, AAJC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market AAJC has the ability to access.

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**12. FAIR VALUE MEASUREMENT (Continued)**

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Limited partnerships* - AAJC is a limited partner in several partnerships. The limited partnership interests in these entities are publicly traded and these interest are available on active markets. Fair value represents the closing price on the active market in which individual limited partnership interests are traded.

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2016</u>
<b>Asset Class:</b>				
Certificates of deposit	\$ -	\$ 245,370	\$ -	\$ 245,370
Mutual funds	84,195	-	-	84,195
Common stocks	484,463	-	-	484,463
Limited partnerships	<u>13,571</u>	<u>-</u>	<u>-</u>	<u>13,571</u>
<b>TOTAL</b>	<b>\$ <u>582,229</u></b>	<b>\$ <u>245,370</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>827,599</u></b>

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2015</u>
<b>Asset Class:</b>				
Certificates of deposit	\$ -	\$ 530,998	\$ -	\$ 530,998
Mutual funds	84,001	-	-	84,001
Common stocks	413,755	-	-	413,755
Limited partnerships	<u>11,239</u>	<u>-</u>	<u>-</u>	<u>11,239</u>
<b>TOTAL</b>	<b>\$ <u>508,995</u></b>	<b>\$ <u>530,998</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,039,993</u></b>

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**13. SUBSEQUENT EVENTS**

In preparing these financial statements, AAJC has evaluated events and transactions for potential recognition or disclosure through April 17, 2017, the date the financial statements were issued.